

Reuters
Preliminary Results Meeting

23 February 2006

9.30 am

Miriam McKay: Ladies and gentlemen, good morning and welcome to Reuters' preliminary results. The running order this morning is that David Grigson, our CFO, will take you through the numbers and then Tom Glocer, our CEO, will give you an overall business update.

Before we start I would like to remind you that the comments today will contain forward looking statements and that the Risk Factors section of our Annual Report describes certain important factors which could cause actual results to change materially from those in our forward looking statements today. You can get copies of our Annual Report from our Corporate Communications offices here in London or in New York.

David, with that, over to you.

David Grigson; Thank you, Miriam, and good morning everyone. I am going to skip over the definitions of our non-GAAP measures, which are detailed at the front of your booklets, and move straight into the presentation. I will start with covering the financial headlines and the Group results before moving on to our divisional trading performance, and I will finish with our guidance for 2006.

Let's start then with the headlines in what has been an extremely busy year. We have delivered against every one of the objectives we set ourselves. We returned the company to revenue growth, with an improving performance on the recurring revenue line and strong growth in our transactions based usage revenue. We saw strong growth in our strategically important products, such as 3000 Xtra, where revenue was up 18% on an underlying basis. We delivered £360 million of annualised saving from Fast Forward and we will deliver the full £440 million in 2006, just as we committed.

We reported trading profits of £334 million at a 14% margin. This is stated after taking an extra £7 million charge in 2005 related to the Reuters Pension Fund as we are now accounting for this scheme as a defined benefit plan. Currency effects were neutral on the profit line, which also includes £41 million of investment to drive future growth and transformation as part of our Core Plus strategy.

We reported a total Group profit, including gains on disposals, of £482 million, up 28% on 2004. We continued to realise a considerable amount of value from these disposals as we continued to refocus the Group. In 2005, we received £710 million from the sale of Instinet and Radianz, and we acquired and are successfully on track with the integration of Telerate. We returned £363 million of the value realised to shareholders, through dividend payments and an initial £223 million from the share buy back we began in July.

In addition, we announced a strategy for the future that is aligned with the drivers of growth in our financial services clients – and Tom will pick up on this theme in his presentation. All in all then, a good set of achievements for 2005 and a solid platform on which to be investing for growth.

Reuters Group financial performance

This is the first time we are reporting our full year financial results under IFRS and the numbers for both periods you see in this presentation are on that basis. I shall focus on the drivers of revenue and trading profit shortly.

First, looking below operating profit, you can see from the slide that both years are influenced significantly by profits from disposals. In 2004, continuing operations contained a profit of £203 million from the sale of our 39% stake in TIBCO and our holding in GL Trade, whereas the corresponding £38 million of disposal profits in 2005 came largely from the sale of our remaining TIBCO stake. We also reported a further £191 million of profit from the sale of Instinet in 2005, although this is shown further down the P&L in the £253 million under discontinued operations. This line also includes £68 million of profit after tax generated by Instinet in the 11 months prior to its sale.

Following our portfolio rationalisation, profits from associates and joint ventures totalled £5 million, which now mainly relate to Factiva. Taxation on continuing operations was £9 million, notably lower than last year, due to the benefit of settling a number of prior year tax items. We expect the effective tax rate to return to the 22% to 23% range in 2006.

Added together, this gives a profit for the period from continuing and discontinued operations of £482 million, up, as I said, 28% on last year.

Continuing operations – movement in cash flow

Moving on to cash flow. This slide shows that the investment made through the trading profit and capital investment lines, much of it driven by Core Plus, together with the high cash cost of restructuring, have all impacted free cash flow this year.

You will remember that when we laid out our ambitious Fast Forward restructuring programme three years ago, we set ourselves the target of covering the dividend from the

free cash flow of core Reuters over the period of the programme. I am pleased to report that we did achieve that goal. Even with the recent investment in Core Plus, free cash flow totalled almost £500 million over the last three years, some £80 million more than that required to fund the dividend.

Turning now to the £178 million of capital investment in 2005, we said that this would be around £170 million, made up of £150 million of capex and the £20 million or so of development capitalisation we talked about at our March IFRS teach-in. In reality, the £178 million comprised marginally less capex offset by more capitalised development as we embarked on Core Plus in the second half of the year.

Restructuring costs peaked in 2005. The £147 million you see here includes the £11 million spent on Telerate integration, with the rest driven by Fast Forward. Cash flow in 2004 also benefited from £49 million of property disposals which did not reoccur in 2005.

Below free cash flow, the main movements were proceeds from disposals, which totalled £710 million including the special dividend paid by Instinet, and £363 million of cash returned to shareholders via the share buy-back programme and the dividend.

Trading performance

Moving on to slide 8, we will look in more detail at our trading performance. As you can see, revenue was up 3%, our first full year of growth since 2001, and a good turnaround from a decline of 11% just two years ago.

At the interims, we guided to second half underlying recurring revenue growth of between 1% and 2%, and we came in at 1.7%. However, this undersells our revenue achievement as we have exceeded our expectations with Telerate, including re-signing, and in some cases upgrading, major clients such as the Fortis deal we announced today.

There was a good story in our transactions-based usage revenue which was up an underlying 12% year on year, an acceleration from the first half, validating our decision to make Electronic Trading a key focus of Core Plus.

We had a strong fourth quarter in outright revenue, confirming our earlier stated confidence in the pipeline. Overall, outright revenue was down 23% to £70 million as we continued to exit the bespoke consulting business.

I shall skip over trading costs as I shall come back to these in a minute.

Trading profit of £334 million, representing a 14% margin, was up an underlying 2% year on year. The table at the bottom of the page in your booklets also shows where our total revenue has come from by geography. The key growth areas have been the Americas,

which are up 4%, and Asia, which grew 3% - both regions where economic recovery in Financial Services has been strongest. Meanwhile in Europe the picture is more mixed but we continue to see improving trends and across all regions we saw a stronger performance in the second half than in the first half.

Trends in accesses and average revenue per access

Revenue from our installed desktops accounts for a little over half of our total revenue. This slide shows how installed accesses and average revenue per access have moved over the year.

The key headline is that the total installed base of 346,000 accesses is up 18,000 over the last year, driven by the acquisition of Telerate. Of the total accesses, 120,000 are in the Xtra family, up 11% since December 2004, driven by both new sales and migrations from legacy products.

Trader family legacy accesses continued their decline and fell by 19,000 during the year. They now account for just 14% of total accesses, compared to over 20% 12 months ago.

Knowledge and Wealth Manager family accesses were down year on year despite good growth in Reuters Knowledge positions, as you can see. This is due to the loss of around 3,000 lower priced legacy accesses at a single customer in Q4 where we were simply not prepared to chase unprofitable revenue.

Encouragingly, total ARPA stabilised in the first half of 2005 and by Q4 was up 2% on the same quarter last year and on an underlying basis, driven by price increases and a small positive shift in the product mix.

Trading cost movements

Moving on to look at our trading costs, what this shows is that we continue to manage our cost base tightly and well. We delivered exactly the savings that we said we would from Fast Forward, including the extra £20 million we promised at the interims. The incremental £126 million achieved in the year takes us to £360 million of annualised savings and we will deliver the annualised rate of £440 million in 2006.

Cost inflation averaged around 3% as indicated in July, which is a level we would expect to continue into 2006.

Within other cost increases, we incurred a charge that we did not anticipate back at the interims. As we announced in October, we changed the basis of accounting for the Reuters Pension Fund, which is our largest pension scheme. The move to recognising this

scheme on a defined benefit basis added £7 million of pension-related costs in 2005, an increase of £12 million over 2004. This is a charge which will reoccur in 2006.

As mentioned back in March at our IFRS teach-in, 2006 will also include a further £5 million of cost as the full impact of share plans takes effect under IFRS.

Now turning to the impact of investments, acquisitions such as Telerate have brought £60 million of costs into the Group and we have invested £41 million in Core Plus, but slightly more towards transformation initiatives. Tom will explain more about our Core Plus investments a little later. Without these effects, costs would have declined by nearly 2%, year on year.

Performance by division

Let us now turn to the divisional performance, and I will cover each division in turn.

Sales & Trading

Firstly, there is Sales & Trading which makes up about two-thirds of our total revenue. Revenue of nearly £1.6 billion was up 3% on an actual basis but down 1% on an underlying basis. The inclusion of Telerate revenue accounts for most of the difference between the underlying and actual movements.

The headline underlying percentage also conceals an improving trend in the division. In the first half, underlying revenue was down 2%, which means that the second half was effectively flat. We have seen good growth, driven by the Xtra family, and have now reached the milestone of over 100,000 installed accesses of 3000 Xtra, leading to an 18% increase in underlying revenue. This growth came from a mixture of new business, including the displacement of competing desktops at some of our largest customers, as well as from the migration of customers from legacy products.

Trading capabilities also played an important role in the performance of the Xtra family. As we have already seen, our transactions business has performed strongly, with usage revenues from foreign exchange dealing up 10% on the back of volatile markets and the expansion of the user base to include hedge funds.

The reduction in legacy products continues to be the main drag on Sales & Trading. Helped by migration from 3000 Xtra and gradual growth in Reuters Trader positions, overall revenue retention from legacy products remains high.

Excluding the impact of Telerate, trading costs in this division were effectively flat year-on-year. Fast Forward savings from reduced communications costs under the BT Radianz agreement were offset by investment in service resilience and in Core Plus

initiatives, notably electronic trading as well as other product development and data centre restructuring.

Research & Asset Management

Revenue from Research & Asset Management was £268 million, up 3% on an underlying basis from last year, driven by the Knowledge family and a strong performance at Lipper, which grew 10% year-on-year.

Knowledge family revenues were up an underlying 9%, driven by an increase in the installed base of Reuters Knowledge, as well as from feeds of fundamentals and estimates data. Reuters Wealth Manager, launched in late 2004, continues to build its presence with both new sales and migration from legacy products.

The division reported a loss of £20 million, an increase of £13 million over last year. This was due to Core Plus investment, particularly development transformation and enhancements to the Wealth Manager platform, as well as targeted sales campaigns to drive the growth of the division's strategic products. In 2006, there will be an investment in high value content, as well as product functionality – all of this as a prerequisite to driving this division to profitability.

Enterprise

The Enterprise division showed revenue of £393 million, a decline of 1% on an underlying basis. Again, this shows a good second half performance, following a 3% underlying decline in the first half and this also marks a significant improvement compared to recent years.

Enterprise Information revenue, which makes up just over half of the division, was up 11% on an underlying basis. Real time data feed revenue grew 4% and Reuters Datascope grew revenue by 37%, due to increased demand for machine readable real-time data to power an increasingly wide range of customer applications.

As expected, we had a good fourth quarter in outright revenue, with Risk products in particular growing by an underlying 35%, underpinned by sales such as those that we recently announced with six Chinese banks. However, outright revenue from Reuters Market Data Systems still fell year on year, as we have now migrated the vast majority of customers from legacy platforms as we continue to move to desktop-based solutions for these smaller sites. With the upgrade programme now drawing to a close, and a standard platform now largely in place, the focus in 2006 will shift to marketing new premium products such as the Reuters Wireless Delivery Service and the Reuters Tick Capture Engine.

Full year trading profit in the Enterprise division increased 50% to £95 million, delivering a 24% margin. This was driven not just by revenue growth in key products, but also from exiting the unprofitable bespoke solutions business as part of Fast Forward. This was partly offset by investments made in Core Plus growth initiatives, such as the Reuters 10 year tick history database.

Media

And finally we have Media, which was our best performing division in 2005, with revenue up 6% on an underlying basis to £153 million. The News Agency business saw revenue growth principally driven by our TV and our award-winning Pictures businesses.

Our Consumer business saw strong growth in advertising revenues from our reuters.com family of websites. This more than offset the impact of the planned rationalisation of certain online syndication products.

Margins in the Media division were flat, year-on-year, as revenue growth was balanced by strong cost management. Investment in the consumer business has been largely self-funded through Fast Forward efficiency savings elsewhere within the division.

Outlook

Turning to the 2006 outlook, you will see that we have moved to providing *annual* revenue guidance, reflecting our confidence in the growth prospects for the business. We are also now focusing on *total* revenue, excluding currency effects, rather than just underlying *recurring* revenue.

There are two reasons for this change. The first is that it makes much more sense to give guidance over *total* revenue, especially with transactions-based usage revenue becoming an increasingly important part of our growth strategy. The second reason is that, as the integration of Telerate progresses, the distinction between what revenue was previously Reuters and what revenue was previously Telerate becomes more and more difficult to determine.

The divisional commentary in the press release gives you slightly more detail on some of the divisional performance drivers in 2006, so I will just concentrate at the Group level. Here, we are targeting total revenue growth of around 5%. This includes 2005 acquisitions and 1% of growth from Core Plus, but it obviously excludes currency effects.

Within trading profits, we expect 2006 to benefit from the final £80 million of Fast Forward savings, taking us to the £440 million of annualised savings we committed to back in February 2003. In line with our guidance back in July, trading profit in 2006 is expected to

reduce by £120 million, due to net investments to drive Core Plus growth and transformation initiatives.

Turning to cash flow, we expect to spend around £220 million on capital investment, up from £178 million in 2005, as we continue to invest in new data centres and step up development under Core Plus. This increase will be more than offset by an expected £90 million fall in restructuring spend relating to Fast Forward and Telerate integration.

With that, I will pass over to Tom.

Tom Glocer: Good morning, everyone.

Agenda

My main agenda today focuses on 2006 and beyond, but I am going to start by just reflecting for a moment on how much we have achieved in 2005. It is these achievements, plus what we have done to fix this business throughout Fast Forward, that give me confidence in our plans for 2006 and beyond.

Then I am going to update you on some of the early successes of the Core Plus programme, which give me the confidence that we are on the right track now. After that, I will take a look at our investment programme – exactly what we are doing in 2006 to strengthen our business and to accelerate growth. Finally, I will try to pull these things together for you, to give you a picture of the transformed and growing Reuters that emerges.

2005 achievements

So let me start with our achievements in 2005. First, as David said, we have delivered on exactly what we said we would deliver on Fast Forward. We returned to revenue growth for the first time since 2001 and turned an annual revenue decline that was as large as 11% in 2003 into 3% growth in 2005. We delivered £360 million in cost savings on our way to the full £440 million in savings under Fast Forward and, by year end, this will bring our total savings under transformation programmes to almost £900 million since 2001.

We have created a fit, targeted product line and streamlined the number of products we sell. Also, we have significantly improved our customer service. All this, and we have brought a lot of new talent – many of whom are sitting in this room today – into the business.

Secondly, we completed a series of disposals and acquisitions to simplify and strengthen our core business. I would like to highlight Instinet in this, which was very time-consuming, certainly for David, for me and Devin Wenig as well. But I am really proud of the value that we created there and in fact saved for Reuters' shareholders, because there were

moments when it really looked as though Instinet could go to zero instead of being the \$2 billion asset we managed to retain. I would also like to flag the complex sale of Radianz and the comms outsourcing to BT as a difficult transaction but ultimately a very valuable one that we were able to do in 2005.

Thirdly, we were able to return £363 million to shareholders in 2005 via both our regular dividend and the share buyback that we announced in July, and we expect to return the full £1 billion to shareholders through the buy back alone by mid-2007.

Fourth and finally, we launched the Core Plus programme, marking our transition from recovery to growth.

Better products – better service

As you know, I focus a lot on the quality of our products, so I do not want to let this occasion pass without providing a commercial plug for the great products we launched in 2005. Since most of these were towards the end of the year, they underpin the growth that we are expecting from our core business in 2006. In particular, I would like to flag 3000 Xtra. We have now reached the milestone of 100,000 positions installed and Version 5.0 is a real step change here – simple but powerful search, great charting and new content. It shows how far we have come now in developing the sophisticated functionality that our customers demand.

I would also mention here Reuters Knowledge. We now have over 11,000 users on this product and we have moved to a quarterly update cycle, which allows us rapidly to meet changing needs. This is something that we were never able to do at Reuters before. It would always involve a costly site visit, while now we can just push new content and new software right down to the end user.

Lastly, I would mention our datafeeds and enterprise architecture, areas where we are best in class already and moving swiftly to capture customer investment in areas like algorithmic trading and portfolio valuation.

Core Plus – early successes

The next things I would like to cover today are some of the early successes that we are seeing from the Core Plus programme. When we announced Core Plus in July, I talked about four ways in which we would accelerate revenue growth at Reuters: first, electronic trading; second, high value content; third, a new approach to enterprise sales; and fourth, new markets. I am very pleased to be able to report progress on each of these strands and I will start with electronic trading.

Electronic trading

We saw good growth in 2005 in our transaction revenues, which were up some 10%, and there is evidence of a continuing boom in electronic trading. Reuters is well-positioned in the interbank FX market, especially in the fastest growing areas like emerging currencies, where we can accommodate currencies where trading is currently restricted (for example, the rouble) as well as openly traded currencies (like the Mexican peso). This makes us an attractive partner for currencies like the renminbi as they begin to open up.

On the buy side, we are also seeing good results, both hedge funds trading through their prime brokers on Reuters Dealing and electronic trading between banks and their customers via Reuters Electronic Trading – RET. Our monthly average trading volumes on RET increased six-fold over the course of the year to 40,000 trades per month in December.

Our new trading products – RTFI and RTFX – are both gaining momentum. You can see the statistics here on the slide: each saw big increases in active traders and in trading volumes in December.

In all of these services, the support of our sell-side customers is critical. I believe that at Reuters we are finally using our distribution capabilities effectively, to bring revenue opportunities to our sell-side partners and best execution to the buy side.

High value content

We move on now to high value content. There are two sides to this: forging new external partnerships and promoting our own in-house capabilities. I was pleased to announce today that we have signed an important deal with Mastercard to package and distribute their US retail sales data. This is just the sort of proprietary insightful content that we are committed to bringing to our customers.

What is unique about it, you may ask? First, the Mastercard data correlates very strongly with official Department of Commerce retail sales data. Secondly, our data – the Mastercard data – comes out significantly before the Department of Commerce data, or anybody else's, for that matter. Thirdly, it is cut in a far more granular fashion, so you can deep dive into US spend excluding autos, in retail; or – Miriam's favourite – women's apparel. (You can tell who came up with this example!) In general, though, I am sure you can appreciate that this sort of data, which gives an early prediction of where the ultimate government data is going to go is really important, both to you in the sell-side analytical community and to investors on the buy-side.

We expect this to be the first in a series of like deals that we will aggregate and bring to our customers. But I do not want to overlook the really exceptional capabilities that we also

have inside Reuters. In 2005, we produced a great wave of news scoops. Geert Linnebank, our Editor-in-Chief, is here today. I am sure he would be happy to crow about them some more, but we have also included a handout that was set out on your chairs. The one I would flag in particular is a great win we had in the Pharma sector: in 2005 we scored a 17 minute beat over both Dow Jones and Bloomberg with the news that Avastin – a new Genentech drug – was shown in clinical trials to extend the lives of lung cancer patients. During this exclusive time on Reuters – this 17 minute gap – Genentech shares shot up 20% and the US biotech index shot up over 3%, all of which added about \$11.5 billion to Genentech's market cap, just in that period, and then the market shut.

If you were not on Reuters, you were on the wrong side of those trades, and one scoop like that once in the year can pay for your Reuters subscription right through the year. So I often do not talk enough about how great our news content is but it is really market-moving, it produces real value and is at the heart also of our high value content efforts.

However, our in-house work does not end with news, it includes what we are doing on the data side. We are now using content centres like Bangalore to build up our own proprietary data coverage in areas like public equity offerings, mergers and acquisitions data and estimates and company fundamentals.

New enterprise approach

That is enough about content. Let us go over to the new enterprise approach. Here I do not think there could be any better validation of the new Core Plus enterprise strategy than the ground-breaking contract we announced this morning with Citigroup. We have been winning these sorts of enterprise deals in general going back to the 2003 Goldman Sachs deal we announced, but there is an important difference now. It is now about much more than just competing for desktops. Now we are bringing the entire Reuters content and technology stack to our customers, which means that we can produce even greater value for large customers. No other vendor could have done this deal. There are plenty of people out there with good content, with competing boxes, but no-one else has the “soup to nuts” scale as Reuters has to do that sort of deal.

For example, Citi has gained access to Reuters Tick History to back test their trading algorithms on the prop desk, which is one of the new products in the Core Plus suite; Reuters Messaging to connect users and enable chat room communication, both within the firm and outside; Reuters Market Data System and Reuters Datafeed Direct to drive out latency in their trading operations, and even Reuters Wireless Delivery system so that you can get all of this data, both internal and external, onto your BlackBerries.

For Reuters, it means that we have significantly expanded our penetration at Citi and to me that is really what this strand of Core Plus is all about.

New Markets

Finally, let me move on to the fourth strand of Core Plus which is new markets. As you will recall, these come really in three flavours: new geographic markets, new asset class markets and new audiences. Today, I only want to talk about new geographies but I am happy to pick up on the other strands as well, and I want to focus on China and India.

In China, our 12% revenue growth in 2005 came as we began implementing our specific growth strategy for the Chinese financial services markets. You can see some of the items here on the slide. What I would highlight is our relationship with CFETS, the FX trading unit of the PBOC, which we expect will be able to build on in coming years, and the rather quiet launch we did of Reuters Dealing Matching in China, where we now have five of the big Chinese banks in the Dealing community with certainly more to come.

In India, our 19% revenue growth came mostly from very good sales of our international financial products but, there also, we are reaching for more. In January, we launched our Times Now joint venture, which is a 24-hour news and information service with the Times of India Group, and it is aimed at the burgeoning class of urban achievers in India. We expect that venture to be successful financially in its own right but perhaps it is even more important in the way it will allow us to continue to grow the Reuters brand in this important market.

We are also getting quite a good branding halo in India from our aggressive expansion, so the 1200 employees we now have in Bangalore are a recognised element in the country.

Confidence to invest – Core Plus simplification

To begin tying these things up, it is these early successes in the Core Plus programme that give me the confidence to back our large investments in 2006, as we outlined in July. At that time, I talked about two types of investment: for revenue growth and for further transformation. What further transformation is really about is simplification in our product line, in our technology and in our organisation as well.

Six months in, we know much more now but the levels of planned investment have not budged. Now I want to give you some more detail on where we are investing and where we see the rewards.

Core Plus

Let me start with revenue growth in Core Plus. In July we said that we would look to produce 1% of additional revenue growth from our new initiatives in 2006, and that holds true today. We expect these revenues to come principally from electronic trading and our new enterprise approach, as they are the two most advanced themes. As I have already said, our electronic trading services are off to a very good start. In 2006 we shall expand both their functionality and their reach, for example into the emerging markets with a service in Brazil, and into new asset classes with a new service to trade exchange-traded derivatives. We now have three sources of revenue from electronic trading in general. First, our transactions-based revenues that come directly from our trading services. The second is recurring revenue which comes from desktops that want to get into the trading community itself. The third are per-messaging fees that we shall get for trades that are processed through our post-trade hub that I described in July.

Turning for a second to our new enterprise approach, we expect that 2006 revenues will come mostly from scaling up the products that we have already launched. Our new Tick History product, that I have already mentioned in the context of the Citi deal, already has a handful of other large customers who are currently paying for that product, and it is generating revenues today.

However, Core Plus is not only about projects that demonstrate quick returns. We have balanced projects with short-term payback with longer-term horizon initiatives as well, which are designed to sustain our revenue growth going forward. In new markets, for example, we are not apologetic at all about investing for the longer term and we have kicked off an innovation programme in Reuters to look at new asset classes, new markets, new audiences, things like property derivatives, weather, commodities in the asset class sector. Let me say a word of caution. These are exciting opportunities for us and have many of the staff charged up, but we do not expect to see really early years contribution from them; this is more about the medium to longer term.

Simplification

Let me move on to say a little about simplification. In July we kicked off four remaining transformation projects, which are absolutely vital to the future of Reuters. These are all as much about simplifying our business and improving customer service as they are about generating cost savings.

I have put up this slide to remind you what the projects are and I shall not read it to you. However, I would just mention that our development transformation is the single largest spend item in 2006 with over a third of our £70 million total investment.

Revenue growth ... simplification

Today, I have been talking a lot about where we have come from, our achievements through Fast Forward, and the journey ahead, via Core Plus.

I would like to end today by telling you where we are ultimately going. I can see a destination for Reuters where we will be providing sustainable revenue and profit growth and fit-for-purpose products supported by great customer service.

We will have revitalised and repositioned our financial services business, and continued to build our Media business on both the agency and the direct-to-consumer sides, and earned Reuters the right to reach for growth beyond.

Through the first six months of Core Plus, I have been spending a great deal of time with our staff, laying out this vision. I have been telling them what I am telling you today:

- that 2006 is a big investment year for Reuters;
- that I am proud that we have delivered on our commitments to date, but that this is only the first part of the story, and
- this year and next, I shall focus relentlessly on just two issues – growth and simplification, without easing up at all on our hard-won cost discipline that has helped us to turn this company around.

These are the keys to success for Reuters over the longer-term. I am really excited to be leading Reuters at this time on this mission and, far more importantly, our staff are motivated and up for this challenge. Thank you.

Questions & Answers

Polo Tang (UBS): I have a few questions. The first relates to operational gearing to the market. If you look at investment banking, you see buoyant conditions and headcount in many places is up 5% to 10%, year-on-year. However, if you look at your top line, although it is recovering, how much gearing do you have into the financial markets? That was my first question.

My second question concerns price increases for 2006. Could you remind us what the increase in list prices is, and how much of that you expect to come through net?

My final question is about cost inflation. You talked about cost inflation in 2005 and you managed to keep a cap on your costs, but can that continue and what do you expect, going forward?

Tom Glocer: I will take the first two questions and give you the cost inflation one.

Gearing to the market? Yes, we are somewhat geared to the market. As I mentioned in July, a good amount of that headcount cost growth is actually in the banks, not just directly for trading positions or analysts' positions, but it is in areas like compliance that do not really directly result in revenues.

As we have changed the mix of our products, though, and in particular latched on to transaction revenues, you can see us beginning to participate much more directly. So transaction revenues were up 10% last year. If you look at the change from an 11% decline in revenue, up to 3% up, and then say 5% next year, that is that gearing – there is a slight lag in the subscription business always.

In terms of price increases, we have put up prices on our products approximately 3% to 4% and those have stuck. However, the important point to caution you, at least as you translate this into your models, is that a 3% price increase, for example, only translates into about a 2% overall increase in our total revenues, because you have a big slug – say a quarter to a third – for things like exchange fees and coms charges. Obviously, we would love to, but we cannot raise the other guy's bill. What we expect – and we are seeing stick, is around 2%.

Polo Tang: And the rate of inflation?

David Grigson: Yes, the rate of inflation has picked up a little and we estimate it to be roughly 3%. Of course, that pick-up has correlated pretty well with the strengthening of the financial services market – and the financial services market is the main alternative employer for many of our people and so we have to be very cognisant of that.

Our view is that we can hold it at about 3% in 2006, so we do not see any particular pressures there, looking forward.

Simon: I have a couple of questions, both on revenue. The first is with regard to the second half figures and, effectively, the fourth quarter looks as if core underlying recurring revenue was up, say, 1.9%, so a delta on the previous quarter of 0.4% is right. Of course, we were expecting that to slow but, compared with the 1% to 2% delta in

the previous quarters – could you say whether there were any one-off factors in the fourth quarter?

Secondly, on the 2006 guidance, effectively the core – if we were to back-out the acquisitions – the core guidance seems to be 2% to 2.5%. Could you say whether there were any one-off factors there in terms of some revenue, or discontinued revenues, that is being backed-out, and whether that should also be adjusted for in the 2007 expectations?

Tom Glocer: Simon has hit the nail on the head in terms of the guidance going forward, so let us look at that. Our core revenues are more like 3% plus, going up, but there is at least 0.5% where we continue to rationalise our product line and revenues there, and pull out of some of the less profitable domestic services. Perhaps David could think about how that flows into 2007, but that is how you arrive at the tie of the numbers out of the 5%.

The only other point I would make now is that this is early in the year. This is the first time that we have attempted to give guidance not just on the things that we can clearly see, which is the recurring subscription business by contract, but the more volatile areas of outright business and, in particular, transactions. I do not know many of the banks in this room that actually give trading guidance as to what their trading desks will be doing in the fourth quarter of the year, because it is quite hard to do that. You should bear that in mind. We are comfortable with our guidance but it is early in the year.

David Grigson: Just to add to that, don't forget that outright revenue tends to be pretty back-end loaded as well, and so that is another factor.

On your point about the quarter-by-quarter pick up, we have always said – and we said last July and we repeat it now - that we think the 2% to 4% range for our core business is about right. You are therefore right to point out that, as we come closer to it, you will expect the quarter-on-quarter business to start flattening and plateauing, and I think you are beginning to see that effect.

One of the reasons why we want to move away from quarterly guidance is because there is a great deal of distortion in the quarterly figures and, as you know, this has always been true in the fourth quarter. This one was exceptional only in the sense that there were pluses and minuses, particularly in the comparatives of course, with last year when the number was 2%. If you just factor that into your mind as a trend indicator, it is a trend indicator that brings you closer to the 2% to 4%. Putting aside the stuff that we are intentionally putting out – I mentioned on-line syndication – we are pulling out of the bespoke technology consulting component of our old outright business, which of course has a further

drag into 2006. Within our guidance, we are looking at doing pretty well in the middle of that 2% to 4% range and therefore we are inevitably flattening as we get into that.

Rogan Angelini-Hurll (Citigroup): I have a number of revenue questions and a cashflow question. I am rather nostalgic, although I know that you do not want to do the quarterly underlying recurring revenue growth. However, could you perhaps tell us whether the trend into the first quarter of this year – if you were to have released the numbers – would still be going upwards?

To continue on from Simon's question, which was answered by Tom, what can we expect in 2007 as the number of rationalisations that will deviate away from the 3% average?

Could you talk about net sales over the traditionally more important fourth quarter December period, and perhaps also comment on them by geography if that is relevant?

My last revenue question is that you talked about the Mastercard deal and the content, but how will you be paid for that? You said you would aggregate that into our screens, but do you charge us more? Do you charge us individually, or is it just an extra investment that makes us feel better? And then -

David Grigson: Shall we finish there for a moment, otherwise I can't recollect everything!

Tom Glocer: Let me hit a couple of the revenue ones, because I can roll them up. First, Mastercard and then working backwards because it is the easiest. We shall include a certain amount of treetop data at no extra charge in Xtra and Knowledge and as we aggregate more than just this one source, we believe that it will make the product more and more compelling, you get your return by greater sales and by price increases sticking because of the greater value.

In addition, if you want the full, more granular data, which you would want in the analytical community, you will pay for that and we have a revenue share with Mastercard. The way I think of it is rather like the cable TV model in that you get basic cable with your Xtra or your Knowledge, and we sell you premium packages on top and we have to share some of the revenues with the producer.

I think I can hit questions one and four, which are net sales, quarterly guidance together. The fourth quarter of last year was the single best quarter we have had certainly since I have been sitting here. It was a strong quarter and it will flow through nicely into Q1 2006. It was significantly helped by the Citi deal - thank you very much, Rogan - but to me

that is exactly on strategy. We have always looked to do enterprise deals, it just happened to come together towards the end of the year. David, you might want to hit the other one.

David Grigson: The '07 flow-through. I have been consistent in saying that this is an issue that will affect us in 2005, we've stated again to a reasonably material extent of 0.5% of our revenues, which is pretty material in that context in 2006 and then it will start to fall away in 2007 and beyond. There may be some small flow-through but it will not be on that scale, it will be much less than that. Back to you on cash flow, you still have the mic?

Rogan Angelini-Hurl: The £220 million of capital investment, do you see that as a new level, does some of it drop away or does all of it drop away back to the –

David Grigson: It is really important and we have said it a number of times, 2006 is *the* year of peak investment for this firm, for two reasons. The first is because we always saw the traditional capex ratcheting up anyway because of the investment in data centres, and we said that would ratchet up in 2005. It was £138 million and we see that rising to £150 million in 2006, staying high in 2007 before falling off quite steeply. This is about building up the data centre capacity that we need for the future as a prerequisite to being able to close down the 250-odd data centres around the rest of the world. That kind of hump of investment is exactly as we predicted it to be, slightly less in 2005 and roughly what we predicted for 2006, flowing through into 2007.

The other area of significant investment in 2006 in cash flow terms as well as in P&L terms, although one connects directly to the other through the amortisation lines, is on Core Plus and the initiatives around Core Plus. This is the peak year and we predict it will come down in 2007 and then come down again in 2008 and settle at whatever the appropriate number is for the business that exists at that time, and I do not want to be too specific about that. You can predict that the cash flow consequences of capital investment, capex as well as capitalised development costs, will come down in 2007 and then come down a little more steeply in 2008.

Paul Sullivan (Merrill Lynch): I have a couple of questions. Can you talk about the profile of legacy migration going through this year and next year, and your targets for getting the legacy positions fully migrated and switching off those legacy platforms? Also can you give us an update on the roll-out of Trader, which I know has been somewhat disappointing last year?

Secondly, on some of the electronic trading initiatives, are there any implications in your view if ICAP is successful in buying EBS?

Tom Glocer: Let me hit the ICAP question first and then we have Devin Wenig who runs our divisions here and he is primarily in charge of our product strategy, so I shall let him talk about both Trader and the migration which he has under close watch.

We have very good relationships with ICAP, we are the exclusive distributor of their BrokerTech data which is the best source of US Treasury data, and we expect that to continue. The rumour is that Michael will be successful and will win that franchise. That is in general positive for Reuters, because it means that with our platform, with Dealing and the other FX services, we are no longer competing directly with a consortium owned by our customers, which they would naturally want to favour. It is just another competitor of Reuters out there, so it is marginally helpful and probably will provide a compelling read-across in terms of the value of our own business. Devin, if you have a microphone, do you want to comment on Trader and the migration?

Devin Wenig: Now - after a late start with the Trader family - we are very well on track. Trader as a product has come over the hump of issues we saw in 2005 and is now performing very well. In terms of the legacy migration, we are still seeing a very good spin up to 3000 Xtra on the back of the launch of Xtra 5, and that is reflected in the 100,000 accesses you saw there. Now with the very small rump of legacy left, the majority of those will move over to the Trader family or spin up to 3000 Xtra over the course of the next 18 months to two years, the majority of it being in 2006. Therefore, albeit a slow start, particularly in the fourth quarter and now into the first quarter, the active migration of legacy is well under way and proceeding now according to plan.

Chris Collett (Goldman Sachs): I am afraid I have another question on the revenues. I am a little confused about why you changed your terms by which you guide on the top line, because you always used to say that you chose to guide on recurring revenue growth precisely because it was so difficult to figure out exactly what the usage revenues were going to do. However, now you are saying that you are not really quite sure because you cannot figure out what the usage revenues would do, so why did you not stick with the old method?

Could you tell us what your guidance implies in terms of recurring revenue growth and, if not, would I be right in thinking that the 5% growth if you take off about 1.5% for the Telerate contribution gets you to 3.5%? If you say that your exit from solutions will reduce revenues by about 0.5%, that gets you to 4% but presumably you expect your usage growth to be above that given that it grew 12%. Therefore, are we looking at recurring revenue growth implicit in your guidance of only about 3% or thereabouts?

Secondly, could you remind us on your new frame of revenue guidance, you talked previously about getting up to 5-7% growth in 2007. Does that still stick or will it be something different?

David Grigson: Chris, there is a really important point for you to pick up, which is that we are not here just to guide on the easy things. We are trying to give you guidance across the whole piece. I know that introduces the prospect of perhaps more volatility in that guidance, but it is important. The reason why it is important is because you have to understand the way in which this firm operates these days. This firm is not trying to make decisions on its separate revenue lines. It is making decisions across the piece. If we decide to change the operating model to put more of our revenue through a volume-based, usage-based model because it makes sense for our customers, we shall do that. However, if we have only guided on recurring, we can see the other side of that and it may scare us away. Therefore, it is really important that when we manage this, we manage it for revenue, and profitable revenue, regardless of which line it appears on. That is a really important reason why we have shifted the guidance away from just recurring, although, yes, it carries a little more risk with it.

The analysis is right until you came to the point where, if you put usage into it, it shows the recurring model coming down a little. Usage revenue at the moment is about 5% of our revenues, and, yes, we expect it to grow and to grow healthily in 2006 as it did in 2005 and previously even in 2004. However, it has to be growing quite a lot in order to make an impact and, therefore, it is in the rounding rather than the degree of dramatic effect that you were implying. Your earlier arithmetic is reasonable, i.e. 5%, 1.5% for Telerate is 3.5%, 1% for Core Plus is 2.5% for the core business, of which you have to add 0.5% back to see where the business with which we are really managing our way forward is growing next year. Within that, as I said, you have to look at how much comes from usage, how much comes from recurring and is it something we feel happy in tweaking depending on exactly what fits for our customers.

Mark: I have three questions, all on the top line. First, 5% probably includes some consideration for increasing M&A in banks, I am thinking most importantly about France and Italy. Could you give us your estimate as to how much of that is included in the 5% for 2006? Secondly, 5% includes Telerate now and will that target be updated if you make any further acquisitions, small disposals or anything else? Thirdly, prices and volumes: we are probably sticking at 2.5% as best guess for the core business underlying recurring in the old terms, and we are talking about 2%, which, as I understand it, is 2%+ for

price increases. I struggled to square that with the headcount dynamics we observed in US and in Europe. We know that headcounts in the industry are growing at 2-3%, in Europe it has definitely picked up in the UK, which is your biggest market, and I guess it is at least stable in most of the other markets. Why do I have only 10, 20, 30, 40 basis points for volume in your guidance?

Tom Glocer: Your first question is about how much M&A activity is factored in. The answer is that we have seen over the last five to 10 years a significant level of M&A. What we have factored in is a continuation of a reasonable historical level of activity. In Japan we have seen very significant consolidation over the last five years. We do not expect that we shall see much consolidation in Japan. In China and India we are seeing expansion rather than consolidation. However, you are right, as I have been saying for a number of years, Italy is very ripe and, post the Bank of Italy changes, it is ripe for that change. How can I help you? If we saw overnight JP Morgan, Morgan Stanley, Goldman, UBS, Credit Suisse and Deutsche all getting together, that is beyond what we have. If you say, every quarter there will be a couple of significant bank deals among the mid-level banks, perhaps one involving a big bank, that is in the guidance already.

As far as updating guidance for acquisitions and disposals, over the last three years we have closed or sold over 80 units. We have not tended to run back and say it would have been a little higher if we had not done this. We have brought the number of products in our product line down from 1300 to just below 400 now and we have lost revenues, so we have tended not to come with a laundry list of 'please add back 0.2 or 0.3'.

On the acquisition side, if we do anything that is substantial, that would be more than rounding, we would come back and tell you about it. However, if we buy a \$1 million unit to get a couple of people, we shall not break out underlying for that.

David, there was a third part of the question which was to reconcile price increase to volume.

David Grigson: The key numbers are that 2% is price increase and the 3% for the core, putting aside the things that we are exiting, which give you slightly bigger volume component. Part of the reason that may not correlate perfectly with headcount Tom has already answered: because the headcount is not always in areas where we would expect to see some benefit from it, as well as because of some of the other factors you have just raised – likely further consolidation, particularly in Europe.

Mark: Another point, for next year, will you update us on your margin guidance for 2006.

David Grigson: We did not give margin guidance for 2006! What we said was – because it was quite important to finish off Fast Forward by saying – that in 2006 we expected our core business to enter that 17% to 20% range that we had predicted, despite the fact that IFRS, and now pension accounting, had made that increasingly difficult for us for accounting reasons. I can tell you that we got there, within that range, within our 2006 plans, because in July we could predict that with some comfort. From now on, we have talked about not giving you margin guidance – although we have given clear indicators as to where we expect our revenue is expected to go, we have given some pretty clear indicators as well of the impact of investments on our cost base – because we reserve the right to determine, going forward, just what the right level of investment is to drive profitability over the longer term, to drive value for this firm. If we confine ourselves to a margin range, that is not consistent with that.

Mark Braley (Deutsche Bank): A series of questions about the risks around transformation: first, can you remind us how much of the transformation savings are dependent on the data centre rationalisation? Secondly, how contingent is that rationalisation on finally eliminating the legacy products? Thirdly, how confident are you that you can keep that legacy on the 18 to 24 month schedule, because it seems to me, from memory, that going back to 2003 these legacy products have actually lasted a lot longer than was the original plan. Then finally – just a ‘Wembley stadium’ question – the data centre new builds: how complex are these as construction projects? Where are you? Have you got the sites? Have you started yet, basically?

Tom Glocer: I will start at the end and go toward the beginning. These are sophisticated data centres. The vision we are building to is that we want to have three in each time zone, so we can run live, synchronous, B backs up A, you switch to the other one, A backs up B, with a third site for disaster recovery. We have all the sites identified. We have plans against them and we have begun to build those out. I view that, ultimately, as a very important development for Reuters, more so on the service and the resilience side than anything else. I am determined in this Core Plus time, to work out all of those issues that I lump around the title of ‘simplification’, to make Reuters just a humming, well-run machine, and we have to tackle those data centres.

In terms of the confidence of the swap out and how long legacy stays – I have a long memory; I have been in the company 13 years – it has always taken longer than Reuters management estimates to get the last legacy positions out. This will be no different. There will be stragglers after 18 months. For all I know, Deutsche will come to us and say, ‘Listen,

in our Buenos Aires operation' – which I have visited – 'please don't swap us out because we have some other event in six months and it would be more convenient to do it then'. Stuff like that happens all the time. Certainly, to deliver the £150 million of cost savings we are not dependent on shutting off the last 2,000. The real dependency is on migration of all of our products on to pure IP delivery and that project goes on now. It is a big project and it is going well, where we are working closely with BT.

Finally, the risks around transformation and how much is specifically dependent on the data centre part: do you have a number on that?

David Grigson: Of the £150 million? It is about a quarter on the data centres – with a lot of back-end loading, don't forget - because of exactly the point that Tom has just made on the necessary product migration – about a third of it on development and then a third from a number of other smaller projects.

Colin Tennant (Lehman Brothers): Three things, if I may? First of all, just coming back to the volumes question, from your comment there would you say - I know this is not just a desk top business but in terms of the desk top – are you now winning, losing, or holding your own in terms of market share? Then on geography, you have given the geographical breakdown of revenue and we see US and Asia nicely up and Europe still down a bit: in your projection of 2006, should we expect to see all of those numbers with a positive in front of them? Or how is that likely to evolve? Finally, on the enterprise deal with Citi, I wondered if you could maybe expand a little bit on how these deals have evolved since you did the first one with Goldman, back in 2003? Is this very different? Or is it basically the same thing just rolled out?

Tom Glocer: In terms of the Citi deal and the evolution of these enterprise deals, what has really evolved is that we are doing much more of the work, to build coherent solutions, largely stemming from the fact that we have people who understand now exactly how clients go about their value, their trading function. So we did not have direct feeds and, by the end of this year we will have the ability to take direct feeds into a client side RMDS for over 40 different venues. They are the absolutely fastest feed you can get. We did not have the latest version of RMDS, which allows much more full tolerance and the ability to sail over from one feed to another. We did not have things like a tick capture engine, or a tick history, because we did not really understand how a prop desk want to back test their trading algorithms.

In approaching clients, therefore – clients have always been smart and they knew what they were doing and that Reuters had some interesting bits and bobs – what this has

allowed us to do is, first, to package it more coherently, so it is a better sale and secondly, we understand the value better so we are pricing and getting more value from it. We are less obsessed about the desktop and more focused on, 'How do I significantly grow my revenue at the institution and do it in a way where the competitor can't just say they will match the deal, because they can't because they just don't have the assets?'

In terms of geography, we saw improvements in each of the areas this year. Asia is doing very well and is again off to a very good start, to the extent that we have seen results already this year. The US is moving ahead nicely, but continental Europe has been a lagger. I would expect to see plus signs before all of them in 2006.

Finally, volumes and market share: we have now got into the good habit of doing this once a year and doing it rigorously. We have certainly caught up and stabilised share. I do not see us losing anywhere. The 18% growth in Xtra is to me a very good sign, and we came out with the new version towards the end of the year and that looks good going into this year as well. I do not even have the data yet. Typically we do it at our first quarter, so we will wait till then. But I feel pretty good about it.

Johnathan Barrett (Williams de Broe): I have just one question left, about the delivery of Core Plus in 2006. You have already highlighted that Q1 is gaining some benefit from Q4 but are there other peaks or periods during 2006 where we will see a bit of extra uplift from Core Plus – certain things that are going to come through, which we should be watching out for, to give us a sense of progress on Core Plus this year?

Tom Glocer: Certainly on the transactions side, we have both the extension of RTFI and geographically, in building that community, which should increase the number of positions, say, of 3000 Xtra directly being used as on-ramps to trading. I mentioned our expansion to Brazil. We are launching a new service with the exact same multi-asset class architecture to cover exchange-traded derivatives and cash instruments. So that is coming later in the year but I do not have a sort of quarter-by-quarter phasing of exactly when it turns into revenue. When we look at the total number, we are still comfortable with the 1% for the year.

Jonathan Barrett: Can I just go back to something someone asked previously? I want to make sure I understood the rationalisation impact in 2007. Are you saying that effectively most of that will have washed through during 2006 and we will not really see any further decline in 2007 revenues, because of that?

David Grigson: Yes, I said that it will mostly have washed through by 2006, which is something we have always predicted. There may be a small tail – as Tom said, these things tend to take longer – but by then, it should be lost in the roundings.

Guy Lamming (Cazenove): I have a couple of questions for you. First, I realise that you told us this six months ago, but I am sorry that I have forgotten. In the capex, you have £70 million of product development costs which have been capitalised.

David Grigson: In 2005?

Guy Lamming : It is £220 million of cap –

David Grigson: In 2006, yes that is right.

Guy Lamming: And £70 million of product development will be capitalised. Could you just remind me how that impacts on the operating margin? That is my first question.

My second question concerns the tax affairs of the company. You had a very low tax charge for 2005, which helped the EPS and you said that would bounce back, I think you said in 2010. Could you give us some more detail about what is going on there, please?

David Grigson: The critical point to understand about our guidance back in July is that we talked very hard to the P&L and we understood absolutely what the consequence is, both of spending money in the year, and expensing it. Our capitalisation policy is pretty restrictive on what we capitalise as well as what we expense. We expense significantly more of our product development cost than we capitalise. We capitalise the pure product development piece – not the specifications piece and not the roll-out piece – and therefore it is quite restricted and quite conservative in that sense.

We talked through what the P&L account consequences of that were, and they still hold. The 2006 £120 million of P&L impact has in it the depreciation and amortisation consequences of anything that we have done in 2005 and previously, because we have had to go back and re-state all previous balance sheets on our opening balance sheet on a similar basis. Does that answer that question? [Yes]

On the tax charge, we run a complex Group with tax jurisdictions in just about every major country around the world and we are always in the process of trying to resolve issues – both issues of claims against us as well as claims against the tax authorities, or things for which we might be able to make claims for ourselves. We run a ledger of those things, on a

pretty conservative basis – at least, that is proven by our track record. Every year has things that are resolved, and then you move forward to the next year.

In 2005, we had two or three things which just came good and had a material effect. One of them, for example, was that we made some claims in the US previously about disallowing certain product development costs, which the US authorities were allowing us to do. It took about three years to solve that and it was solved in the year and an \$18 million cheque was written to us, and that flowed through the tax line. There were a couple of other small examples which, in the end, all added up to the difference between an effective tax rate of about 10%, which is what that 9% translates into, and an effective tax rate of about 22% to 23%, which is what we predicted to go forward. There will always be a degree of volatility in that figure but, in terms of modelling, it is the right figure to hold to for the foreseeable future.

Guy Lamming: Could you tell us what you have said in the past about the medium term guidance on that tax line, please?

David Grigson: Why I say it?

Guy Lamming: Why, and what it is at the moment?

David Grigson: I can only describe it as a tax rate to apply against the operating profits, the before-tax profits that sit above it. We have been very consistent in saying that it has been the low 20s, and that it has been down to 21, and it has been as high as 23 and 24, and that just holds. That holds in today's current tax environment and, if anything should change materially, we would of course update you against that. That is based on the knowledge we have about the way these things work around the entire world and the impact they have on us. It is a position at least based on some history and track record.

Charles Peacock (Seymour Pierce): I have a couple of questions. You highlighted the double-digit growth in China and India. Could you just outline how big these are in terms of revenue to you 2006? Also what is the nature of the growth – is it being driven by accesses or other revenues?

Just going back to the question about migration from legacy products, could you just remind me when Reuters Trader was up and running properly and being pushed out? What effect have you seen in terms of people perhaps now switching from Xtra to Reuters Trader, now that it is properly available? What is the differential in the pricing of those products?

Tom Glocer: First, on China and India, it is mostly our core financial services products. We have made investments in country-specific data. Early in the year, we put out a press release about the benchmark yield curve that we have done for China. We have been adding fundamental data on the 6,000 Indian publicly traded companies, between the National and the Mumbai exchange. We are just meeting the needs of local markets and giving them priority in our budget process. We are, in essence, accelerating investment in those countries.

For competitive reasons, we do not want to break out each one but, together, they are coming close to about \$100 million of revenue. That is obviously not yet Switzerland, but these will be tremendous markets for Reuters. We are very well positioned and we have a great brand name. In China, our Risk business has done incredibly well, both with all the major banks, with the PBOC and others.

In terms of migration and what used to be called 'spin down' – except that we have not had much – my view is that Trader came out in its useable form in September, and by the beginning of the fourth quarter it was in good form. It has been performing very well. Clients really like the interface and it has been stable – we have not had any of the scaling issues that had been plaguing us before. To me, personally, it is embarrassing that it was two years late and we gave up revenue which, had we had it ready, it would have kept.

We are not seeing significant spin-down. Interestingly, that is true on Moneyline Telerate as well. There are a couple of big clients I know of who had moved over to Moneyline Telerate to save money and, coming back to Reuters, they said, 'Wow – Xtra has really improved.' Not only have we kept all the Telerate revenue, but they have stepped up to additional revenue via Xtra. If anything, the move is still up. And if you want the price -

Devin Wenig: ... there is very little in the way of negative pricing pressure. When you think about the mix effect of how many spin up to Xtra, versus how many move straight across into the legacy, the aggregate impact of that is either flat or slightly positive on the price point of the migration.

David Grigson: We have time for one more question. Patrick?

Patrick Wellington (Morgan Stanley): Your guidance on revenue growth was 2% to 4% for the market, plus one for Core Plus, so 3% to 5%. As we have discovered in this meeting, you are right at the bottom of that range on recurring revenue growth. Could you just come back to us on exactly why that is? Do you see your market environment already deteriorating? Is it the market share issue that was raised earlier? Why have you clung to the bottom end of the range?

Chris asked a question earlier about the 5% to 7% growth in three years' time. Will that remain on the old basis of recurring revenue growth, or will it be subsumed into the new, all-in, Reuters revenue approach?

Thirdly, will you tell us what the Core Plus absolute revenue number is on a quarter by quarter basis?

Tom Glocer: Let me attack the first question and give David the chance to think about two and three.

As we explained in answer to some of the earlier questions, we are now attempting to guide to more volatile revenue streams. It is also quite early in the year, given the fact that some of those – especially the outright – are very back-end loaded. Internally, we are certainly targeting, pushing our teams, and we would be very disappointed if we did not do more. However, at this point in the year, overall growth of around 5%, especially if you look at the minus-11% hole we came from only a couple of years ago, is the right place to be in the middle of February. I will be very pleased to be able to come back and report that we have done better.

Patrick Wellington: [*Off mike*] So you are at the bottom end of the more predictable bit of revenue. ... (*inaudible*)

Tom Glocer: The last time I looked, three was in the middle of two and four.

David Grigson: Let us start with your 2007 and work back a little from there. For 2007 we have said that we expect – and let us be clear about what we said about the 2% to 4% - we said 2% to 4% *medium term*, and we did not say – we never said – that the 2% to 4% was 2006. We said that we hoped we would get into that range in 2006, and this guidance indeed does exactly that. We said that 2% to 4% was medium term. For 2008, we said 2% to 4% of the business we had today and, if we invest wisely in Core Plus and deliver the benefits we expect, then you could lay an extra 3% on top of that by 2007. So your 5% to 7% still holds true on that basis.

I think you should take confidence from the fact that, in 2006, we are giving you guidance that gets you into that range. Yes, there are some things that need to be ironed out of the system, and we will take those out of the system by 2008. That should give you confidence towards that 2008 pointer.

You also asked a question about whether we would break out Core Plus. Yes, we absolutely will. We are spending a great deal of money on product development, on taking these products to market. We will tell you what returns we get for that investment and

clearly, that return will initially be to the revenue line and then, ultimately, through the profit lines as well.

We should probably call it a day at that. Thank you all very much indeed.

- *Ends* -